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September 11, 2000

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Magalie R. Salas
Federal Communications Commission
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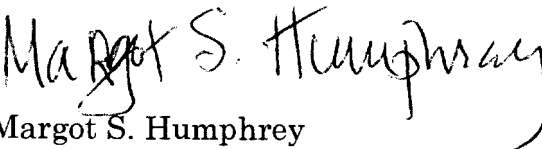
Re: Ex Parte Notice
CC Docket Nos. 96-262, 94-1, 99-249, 96-45

Dear Ms. Salas:

On Friday, September 8, 2000, L. Marie Guillory of the National Telephone Cooperative Association, David Cohen of United States Telecom Association, Stuart Polikoff of The Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), William F. Maher of Halprin, Temple, Goodman & Maher and Margot S. Humphrey of Holland & Knight LLP, representing the National Rural Telecom Association (NRTA), met with Katherine Schroder, Chief of the Accounting Policy Division and Sharon Webber, Deputy Chief of the Accounting Policy Division, as well as Gene Fullano, Katherine King, Jack Zinman, Bryan Clopton and Paul Garnett, attorneys in the Common Carrier Bureau. In that meeting we discussed the Multi-Association Group (MAG) holistic plan, using the attached outline and flow chart.

In accordance with the FCC rules, I am submitting two copies of this letter and the materials distributed at the meeting. If you have any questions, please do not hesitate to call me.

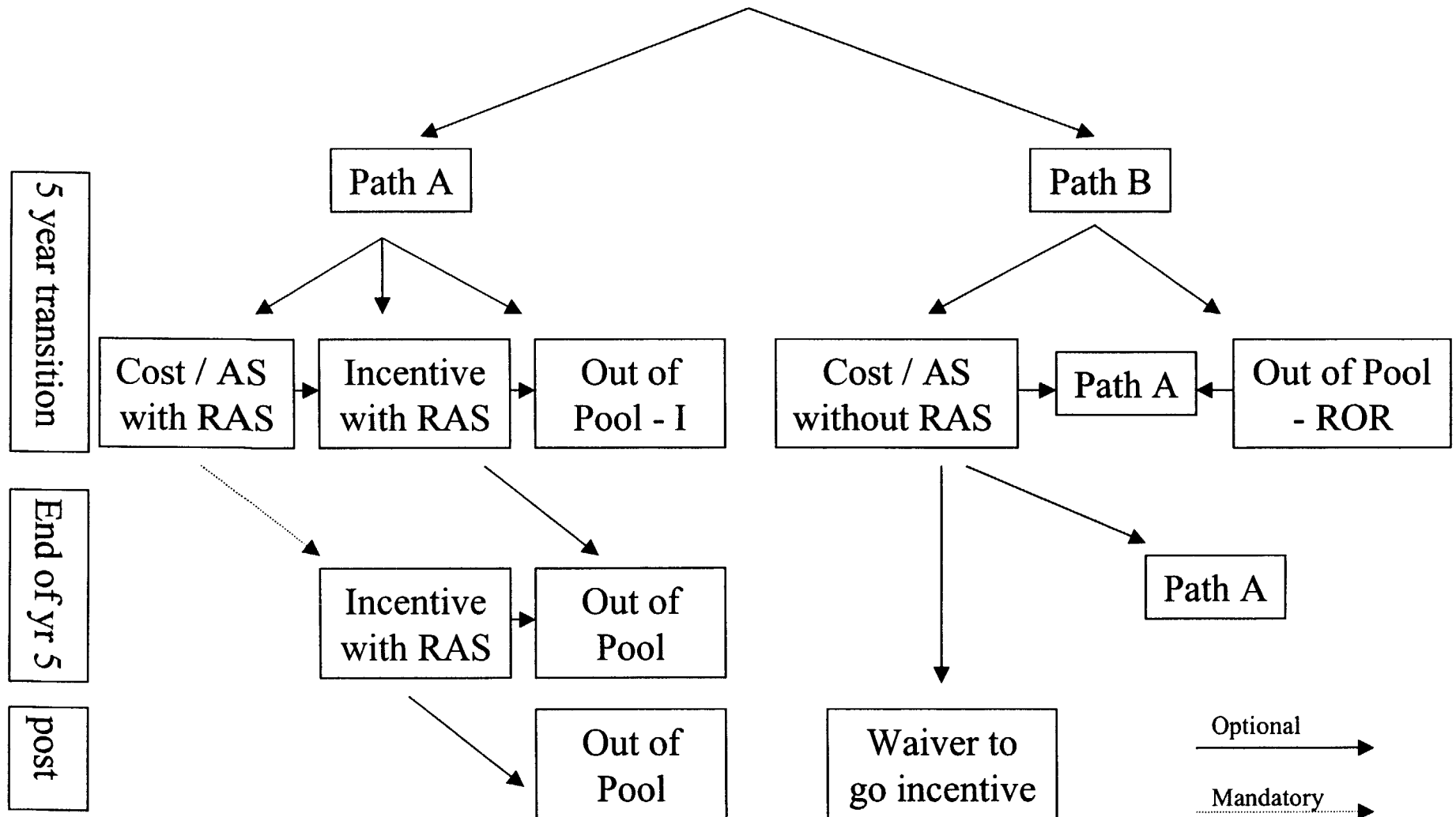
Very truly yours,


Margot S. Humphrey

Enclosures

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List A B C D E

MAG Plan



Interstate Regulatory Reform Multi-Association Group (MAG) Plan

NRTA

NTCA

OPASTCO

USTA

Multi-Association Group Plan

- Two path approach
 - Path A: Transition to incentive regulation
 - Path B: Remain on Rate of Return, with option to move to path A during transition period
- Plan expected to move majority of access lines towards incentive regulation, while accommodating diversity among the 1,337 rural study areas
- Plan raises SLCs, moves port costs to common line and freezes rate of return for all companies

Path A

- Five-year transition from cost to incentive-based regulation for companies that elect Path A at the outset
- Access Reform
 - Single NECA pool -- per study area options
 - Rate of Return based pooling for transition period
 - Incentive plan based on per line revenues
 - Out of pool incentive regulation
- Universal Service

Pooling Plan - Access Rates

- Major rate components:
 - Composite Access Rate (CAR)
 - Translation of today's switched access rates into composite average (rate elements remain)
 - Subscriber Line Charge (SLC)
 - Billed to end user
 - Rate Averaging Support (RAS)
 - Reduce per minute access charges to levels comparable to CALLS rates

Access Rates - CAR

- CAR set at level reasonably comparable to price cap companies' level to facilitate geographic toll rate averaging
 - .55 - .95 cents for Price Cap companies (CALLS)
 - 1.6 cents per minute for Path A, banded to accommodate varying costs within pool
- Rate transitioned to new level similar to PC rates
- Line port costs moved to common line revenue requirement

Access Rates - SLC

- SLC transitions with PCs' SLCs in CALLS
 - SLCs set at PC companies' caps (as long as reasonably comparable to their actual SLCs)
- SLC residence & single-line business rates
 - July 1, 2000 \$ 4.35 (implemented in CALLS)
 - July 1, 2001 \$ 5.00 (implemented in MAG)
 - July 1, 2002 \$ 6.00
 - July 1, 2003 \$ 6.50
- Multi-Line bus. transitioned to \$ 9.20 over 3 years

Rate Averaging Support - RAS

- RAS is designed to lower access rates by recovering the difference between the settlement paid by the pool and the revenue derived from SLC, LTS, LSS & prescribed CAR
- Billed as other universal service fund components are billed
- Portable and disaggregated

Access Rates - Special Access

- Tariffed by NECA for pooling companies, with study area option to de-pool
- Maintain current flexibility for individual companies (e.g., term and volume discounts)
- Rates could be banded based on retention ratios, with RAS available to limit excessive rate increases

Pooling Plan Settlements

- Two options within pool to deal with companies with varying cost characteristics and needs
 - Cost / Average Schedule (AS) environment as an option for the first five years
 - Incentive-based environment (mandatory after year five)
- No going backwards - can only go from ROR to Incentive to Non-Pooling
- ROR remains at 11.25%
- Separations factors frozen per Joint Board recommendation

Pooling Plan

Settlement Transition Phase

- First 5 year ROR option
 - Cost companies recover on the same basis (ROR) as prior to plan
 - Average Schedule
 - Can recover on the same basis (AS) as prior to the plan, with updates for changes in cost & DEM and during transition period
- Incentive Pooling Component (IPC)
 - An individual study area can move from ROR to IPC at start of any transition period year, but cannot move back
- Study areas can “partially pool,” keeping TS rates & settlements out of pool (including Special Access)

Pooling Plan

Incentive Pooling Component

- Move from settlement based on cost studies or average schedules to “revenue per line” (RPL) (inflation adjusted)
- Companies receive RPL based on prior year settlement amount (Cost/AS), grown annually by inflation
- Special Access settlements based on base period retention ratio

Pooling Plan

Low End Adjustment

- Low End Adjustment (LEA) as safety net
 - for smallest and most rural incentive study areas whose return is less than 50 basis points below authorized rate of return
 - for other study areas on incentive regulation whose return is less than 100 basis points below authorized rate of return

Pooling Plan

Post Transition Period

- All study areas in Path A under IPC, except those opting out of the pool
- Low End Adjustment remains available for both pooling and non-pooling options

Path B

- Remain on ROR Regulation, with following changes
 - Access reform
 - SLC increases to CALLS caps
 - Port costs moved to CL revenue requirement
 - Universal Service reform
 - Caps removed
 - Path B study areas will have separate NECA pool rates from Path A study areas

Path B

- Access Rates
 - Per minute common line rate set to recover Path B study areas' CL revenue requirement minus SLC & LTS revenues
 - Per minute TS rates set to recover Path B study areas' TS revenue requirement minus LSS
- Universal Service
 - Continue recovery based on today's formulae, but with caps removed

Non-Pooling Plan

- Same rate structure as pool, but without the RAS
- Rates established using base year interstate per line revenues
- Rates can be reduced on a deaveraged basis, contract pricing allowed
- New services at market rates under streamlined rules
- No return monitoring, but Low End Adjustment Plan available on study area basis

Universal Service

- Today's High Cost Fund uncapped (Path A and Path B)
- Cost study areas receive universal service under today's rules
- Frozen on per-line basis (adjusted for inflation) once IPC is chosen
- Disaggregated into three zones & made portable
- Enhance lifeline per CALLs plan

Unfunded Mandates & Changes in Universal Service Definition

- Fund needs to be adjusted for any change in the definition of universal service
 - revenue per line adjusted to ensure sufficiency
- Cost of any government mandates not included in the universal service definition must be recoverable in way that doesn't burden universal service fund